



Vardis

# Private Equity Report Series

Portfolio Company Equity  
Participation Plans

# Vardis Private Equity Report: Portfolio Company Equity Participation Plans



## Overview

We are pleased to share with you the latest in our series of Private Equity Reports – an in-depth review of **Portfolio Company Equity Participation Plans**. This report is based on 565 survey responses received worldwide from executives of private equity portfolio companies and their private equity sponsors from June to October 2025.

The management incentive programs sponsors employ to link the interests of company executives and investors vary widely in structure, tax treatment, and performance hurdles. Even the terms which are used to define key plan components vary from location to location. Ask someone in the US about “sweet equity” and you are likely to be corrected, “You mean sweat equity, right?” We will focus here on “sweet equity,” or discounted share programs.

This report sheds light on both the differences and prevailing norms among Equity Participation Plans. We appreciate the participation of the many executives and private equity professionals who made this report possible. It should be noted that executives were asked to answer questions about their current portfolio company, while PE professionals were asked to answer these same questions about “their most recently acquired portfolio company.” Where there were differences in the questions, we have included both. We thank them for their insights.



## About Vardis

Vardis is an international executive search firm focused exclusively on portfolio company recruitment on behalf of Private Equity investors in North America, Europe and Asia (CEO, CFO, Board Directors, etc.) and in Pre-Deal situations through the introduction of Advisors, potential Board Members and Operating Executives.

Since 2016, Vardis has conducted a series of surveys in the Private Equity marketplace. These include our annual PE CEO and PE CFO Compensation Reports as well as the leadership reports we have published in conjunction with AlixPartners. Copies of past reports are available on the Vardis website at [www.Vardis.com](http://www.Vardis.com).



## Questions & Further Information

Should you have questions or want further information on this or Vardis’ other surveys, including its annual Leadership surveys (in conjunction with AlixPartners), please feel free to contact us.



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## 1 Prevailing Norms

<b>Plan Structure; location is everything</b>	Responses indicate the three most common plan structures are; <ul style="list-style-type: none"> <li>▪ Profits Interests – 29%</li> <li>▪ Equity-Based Bonus – 27%</li> <li>▪ Stock Options – 25%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Skewed by US participation</li> <li>▪ EU/UK: 71% in Sweet Equity stock purchase programs</li> <li>▪ Rest of World (ROW): a mix of Equity-Based bonus, Sweet Equity, Options, and Loan Funded plans</li> <li>▪ NOTE: 60% are in plans where gains are taxed as ordinary income</li> </ul>
<b>Management Pool Size</b>	<ul style="list-style-type: none"> <li>▪ Mean = 8.9%</li> <li>▪ Median = 9.8%</li> </ul>	Flat distribution with little correlation to enterprise value.
<b>Participation</b>	Generally, CEO and Direct Reports or CEO/Direct Reports & Select Others	Some correlation to plan type and enterprise value. Option and Bonus plans extend to broader group. Likewise, the greater EV, the broader the number of participants.
<b>Vesting</b>	Commonly a blend of time & performance accelerating at liquidity. Full vest tied to a 3-4X MOIC or equivalent IRR hurdle.	Equity-Based Bonus programs generally vest only at liquidity.
<b>Pool Allocation</b>	<ul style="list-style-type: none"> <li>▪ <b>CEO:</b> Mean of 3.2%</li> <li>▪ <b>COO/President:</b> 1.7%, bifurcated with a cluster at .75% and another at 2%</li> <li>▪ <b>CFO:</b> 1%</li> <li>▪ <b>Chair:</b> 1.5% (.5% for NED)</li> </ul>	COO/President title was present in about half the companies surveyed. The award range is skewed by job description. Those without revenue responsibility receive awards 40% smaller than those with revenue responsibility.

## 2 Trends

- **Profits Interests gain in popularity** and represent **38%** of the plans in the US, up from less than **30%** in 2020
- **Incentive Pool Allocations have dropped** by more than **15%** since 2020. This is (perhaps) offset by greater consistency in “base case” calculations. Only **16%** of respondents indicate that the base case for the incentive pool is based on different numbers from those used to secure financing (down from 28% in 2020).
- **Rise of Synthetics**, equity-based bonus outside of the Management Incentive Pool, is now cited by **15%** of our respondents, providing the flexibility to provide incentives on a case-by-case basis.

## 3 Areas to Watch

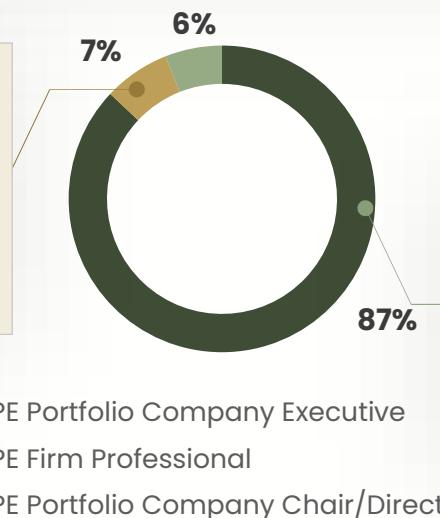
- **IRS 1202 Qualified Small Business Shares** – now **2%** of the US market, mostly the lower middle market. Increased limits on tax free capital gains extended to US companies in July 2025 may increase their popularity.
- **Vesting** – Increased hold times, greater use of continuation vehicles and sponsor-to-sponsor exits, may drive changes to vesting and rollover provisions. This is not yet reflected in the data but is a frequent talking point. Stay tuned.
- **Perception Gap** – **41%** of executives who've experienced a liquidity event indicate payouts were less than 75% of the original base case (for 30%, the payouts were under 50%). Only 8% of PE respondents indicate payouts under 75%.

# Survey Responses: Respondent Profile

1

## Which of the following best describes your role?

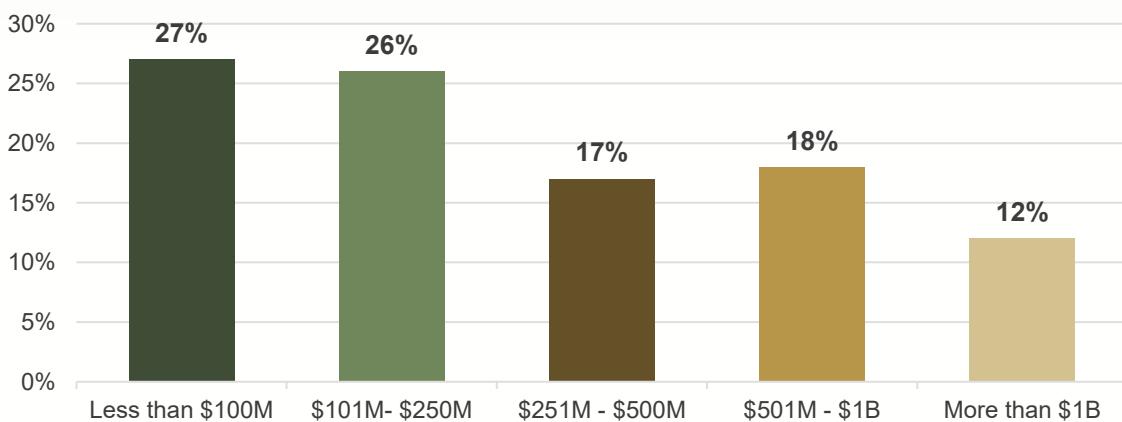
**47%** - Investment Professional  
**35%** - Operations Professional  
**18%** - Human Capital Professional



**44%** - CEO  
**38%** - CFO  
**5%** - COO/President  
**5%** - Other PortCo Executive  
**8%** - Outside Director

2

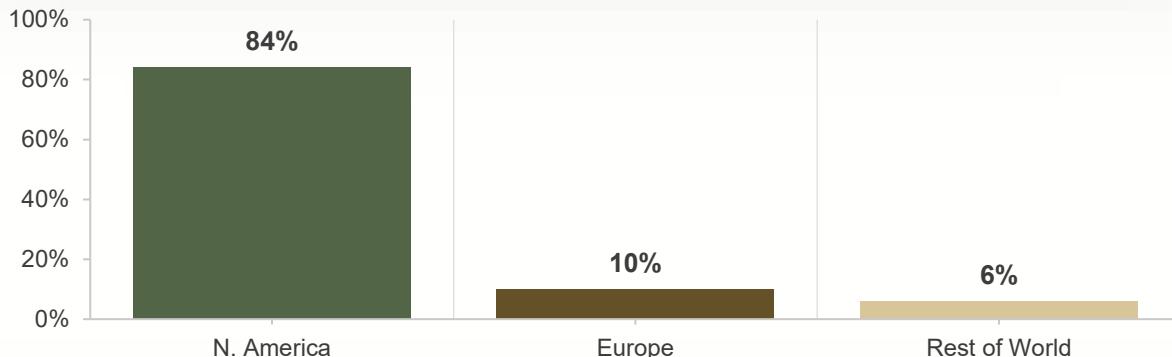
## What is your Company's approximate annual revenue (turnover)?



# Survey Responses: Respondent Profile

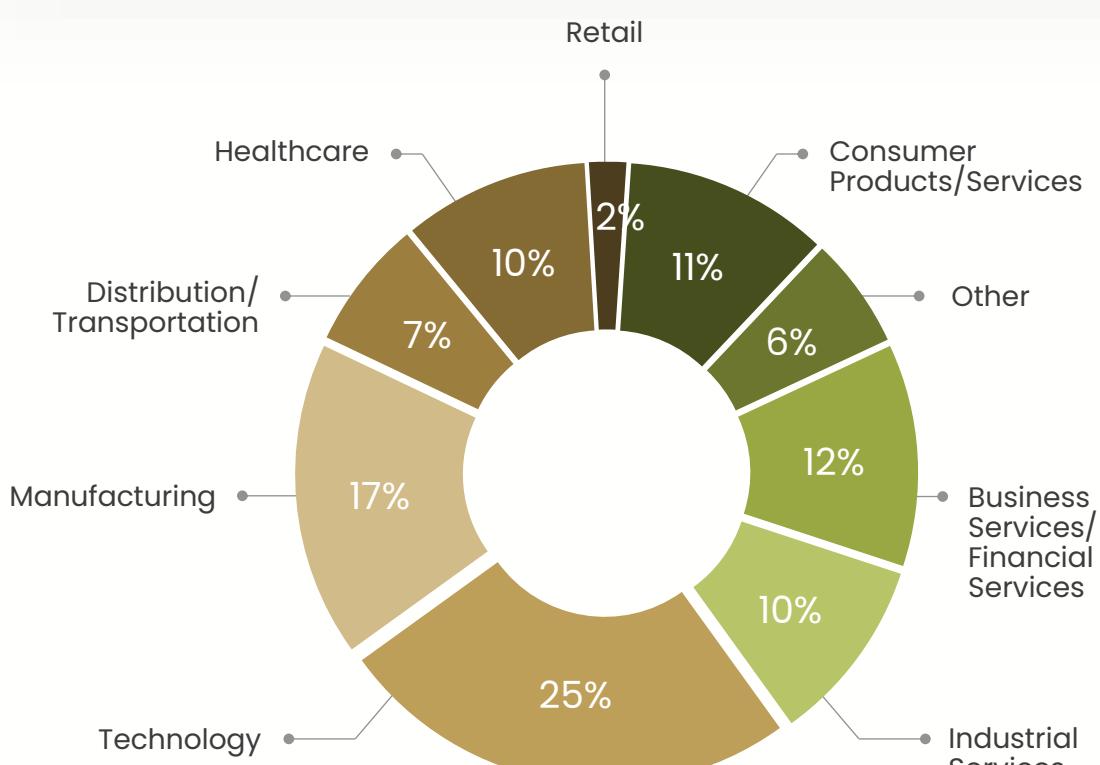
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## Where are Company Headquarters?



4

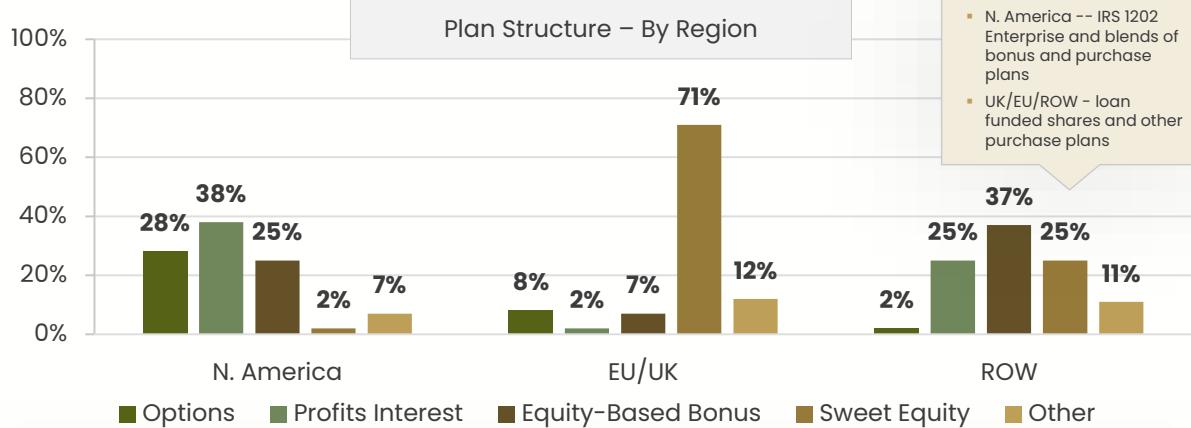
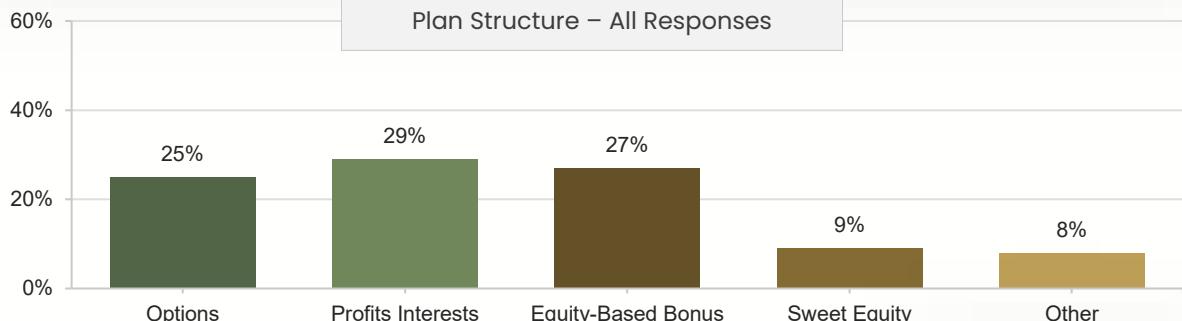
## What industry best describes your Company?



# Survey Responses: Plan Structure

5

## What is the primary structure of your Equity Participation Plan?



6

## What best describes the coinvestment opportunity at the company?

■ PE Professionals ■ PortCo Executives

Management was strongly encouraged/required to invest to gain access to the equity program



Management was encouraged to invest alongside the investor



Management was given the option to invest alongside the investor



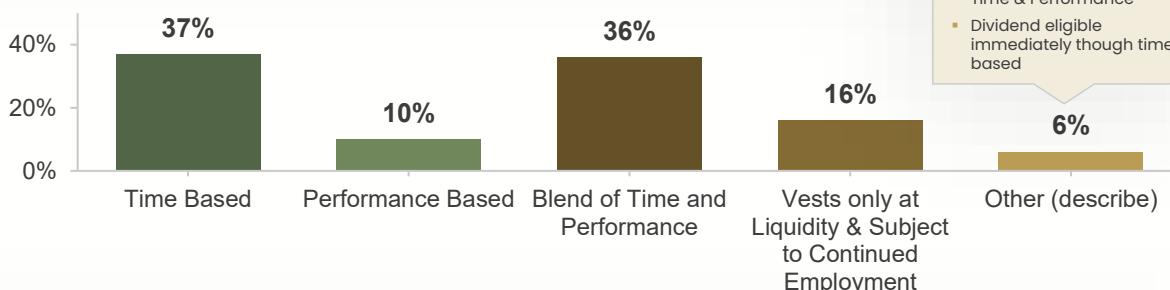
Management was not given the option to invest alongside the investor.



# Survey Responses: Plan Structure

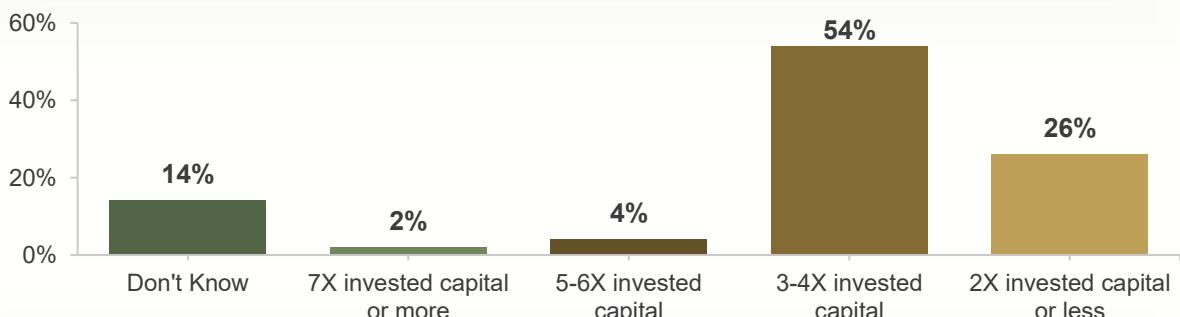
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## How does your Equity Participation Plan vest?



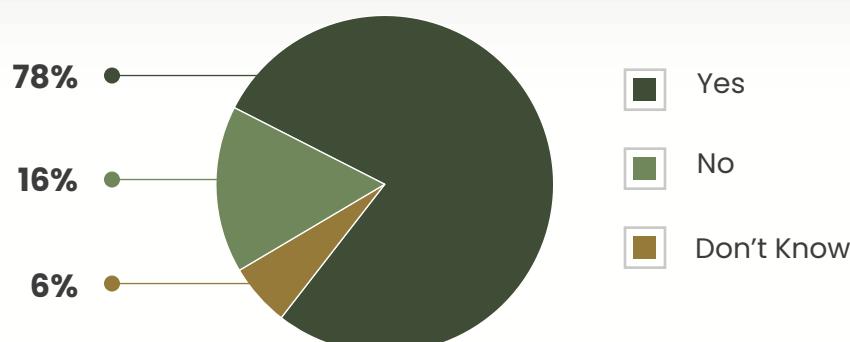
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## What is the target MOIC (multiple of invested capital) on which your equity "base case" was based?

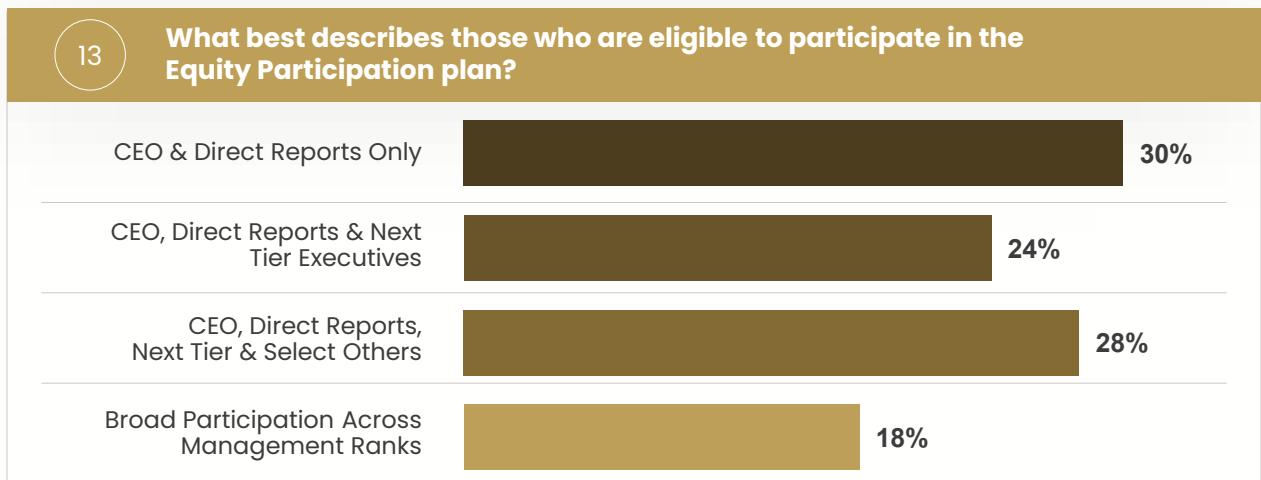
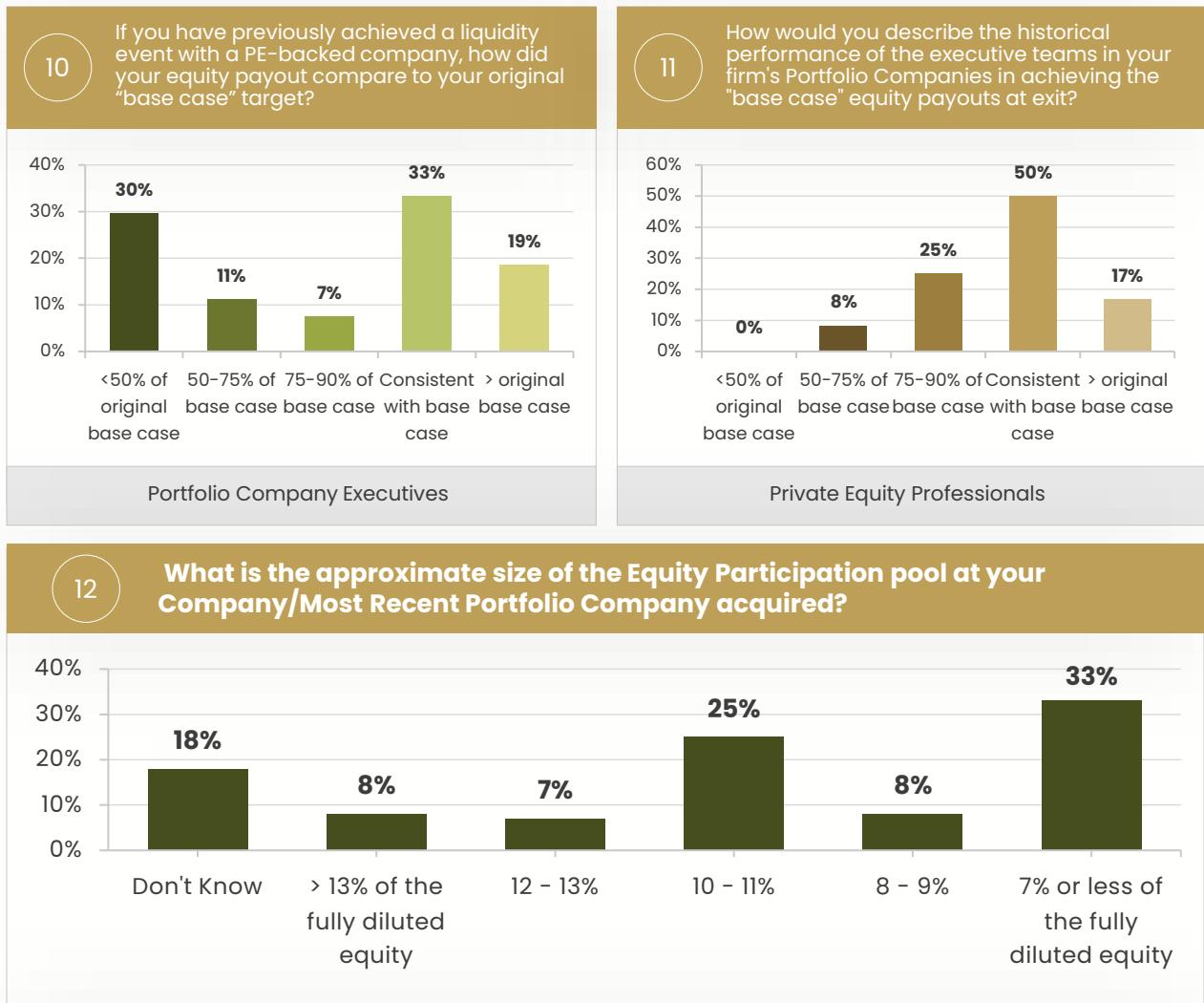


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## Are the business plan targets used to secure financing the same as those used for the Equity Participation Plan, i.e. is there a single, consistent set of targets?



# Survey Responses: Plan Structure

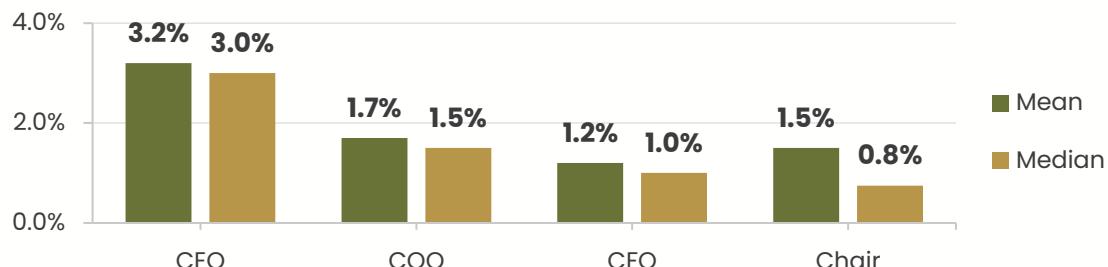
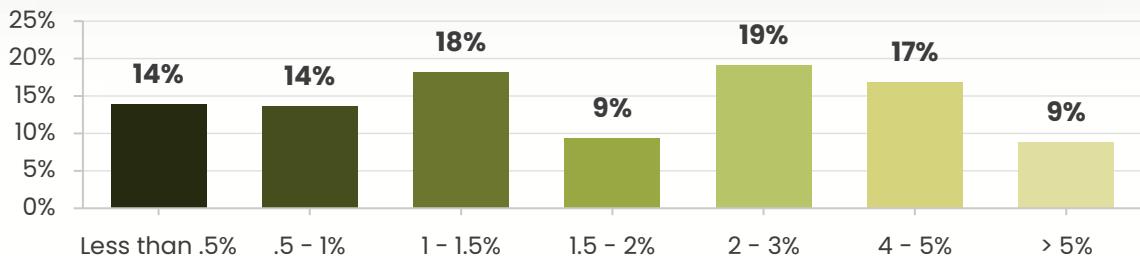


# Survey Responses: Equity Allocation

## Portfolio Company Executives

14

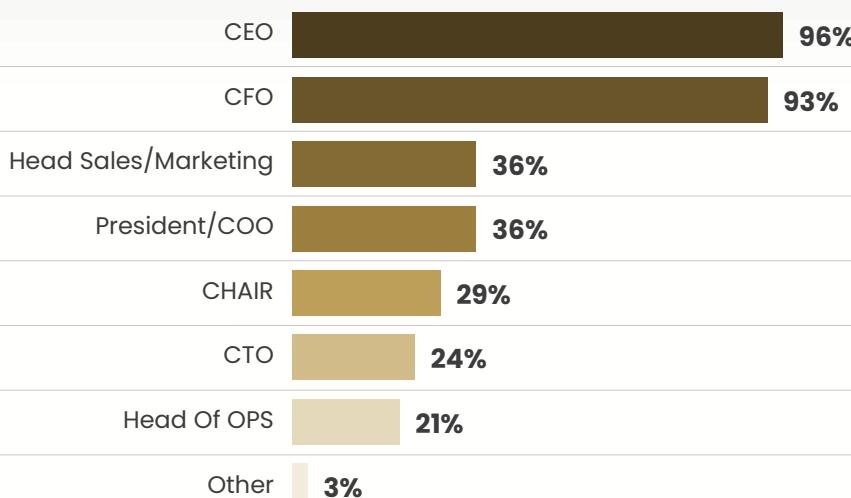
On what percentage of the fully diluted equity is your Equity Participation based?



## Private Equity Professionals

15

In your most recently acquired Portfolio Company, which five executives have the largest share of the Equity Participation pool? (check five)



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